

NEBRASKA HUMANITIES COUNCIL
d/b/a HUMANITIES NEBRASKA®

AND

NEBRASKA FOUNDATION FOR THE HUMANITIES
CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 31, 2017 AND 2016



DANA F. COLE
& COMPANY^{LLP}
CERTIFIED PUBLIC ACCOUNTANTS

NEBRASKA HUMANITIES COUNCIL
d/b/a HUMANITIES NEBRASKA®
AND
NEBRASKA FOUNDATION FOR THE HUMANITIES
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**DANA F. COLE
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Nebraska Humanities Council
d/b/a Humanities Nebraska®
and
Nebraska Foundation for the Humanities
Lincoln, Nebraska

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Nebraska Humanities Council (a nonprofit organization) and Nebraska Foundation for the Humanities (a nonprofit organization), which comprise the consolidated statements of financial position as of October 31, 2017 and 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related consolidated notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nebraska Humanities Council and Nebraska Foundation for the Humanities as of October 31, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of financial position and activities on pages 19 - 22 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required the NEH OIG Program-Specific Audit Guide, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2017, on our consideration of Nebraska Humanities Council and Nebraska Foundation for the Humanities' internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Nebraska Humanities Council and Nebraska Foundation for the Humanities' internal control over financial reporting and compliance.

Dana F Cole + Company, LLP

Lincoln, Nebraska
December 18, 2017

NEBRASKA HUMANITIES COUNCIL
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AND
NEBRASKA FOUNDATION FOR THE HUMANITIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
OCTOBER 31, 2017 AND 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	422,982	303,224
Investments	2,113,782	1,943,522
Prepaid expenses	24,763	143,392
Cash value life insurance	22,018	20,480
Total current assets	<u>2,583,545</u>	<u>2,410,618</u>
 PROPERTY AND EQUIPMENT, net	 <u>4,490</u>	 <u>6,746</u>
 TOTAL ASSETS	 <u><u>2,588,035</u></u>	 <u><u>2,417,364</u></u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	31,750	26,040
Grants payable	20,691	18,617
Expenses accrued	31,925	26,146
Deferred revenue		122,768
Total current liabilities	<u>84,366</u>	<u>193,571</u>
 NET ASSETS		
Unrestricted	2,458,833	2,178,839
Temporarily restricted	44,836	44,954
Total net assets	<u>2,503,669</u>	<u>2,223,793</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>2,588,035</u></u>	 <u><u>2,417,364</u></u>

See accompanying notes to consolidated financial statements.

NEBRASKA HUMANITIES COUNCIL
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NEBRASKA FOUNDATION FOR THE HUMANITIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED OCTOBER 31, 2017 AND 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT						
Contributions and grants	1,599,041	219,570	1,818,611	1,389,441	157,347	1,546,788
Fee income	47,732		47,732	33,972		33,972
Interest and dividends	103,356		103,356	56,736		56,736
Realized gain (loss) on investments	7,072		7,072	(75,212)		(75,212)
Unrealized gain on investments	113,543		113,543	34,269		34,269
Special events: Cuba trip	121,274		121,274			
Less special event expenses	(128,001)		(128,001)			
Other income	480		480	560		560
Net assets released from restrictions	219,688	(219,688)		172,628	(172,628)	
Total revenues and other support	<u>2,084,185</u>	<u>(118)</u>	<u>2,084,067</u>	<u>1,612,394</u>	<u>(15,281)</u>	<u>1,597,113</u>
EXPENSES						
Program services	1,436,530		1,436,530	1,301,125		1,301,125
Management and general	217,307		217,307	217,483		217,483
Fundraising	150,354		150,354	138,969		138,969
Total expenses	<u>1,804,191</u>	<u></u>	<u>1,804,191</u>	<u>1,657,577</u>	<u></u>	<u>1,657,577</u>
CHANGE IN NET ASSETS	279,994	(118)	279,876	(45,183)	(15,281)	(60,464)
NET ASSETS, beginning of year	<u>2,178,839</u>	<u>44,954</u>	<u>2,223,793</u>	<u>2,224,022</u>	<u>60,235</u>	<u>2,284,257</u>
NET ASSETS, end of year	<u>2,458,833</u>	<u>44,836</u>	<u>2,503,669</u>	<u>2,178,839</u>	<u>44,954</u>	<u>2,223,793</u>

See accompanying notes to consolidated financial statements.

NEBRASKA HUMANITIES COUNCIL
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NEBRASKA FOUNDATION FOR THE HUMANITIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED OCTOBER 31, 2017

	Program Services			Management and General	Fundraising	Total
	Program	Special Projects	Total Program Services			
Salaries and wages	168,714	138,407	307,121	112,004	85,606	504,731
Payroll taxes, benefits and other	52,899	36,212	89,111	27,642	18,040	134,793
Stipends paid	104,614	203,486	308,100		150	308,250
Program expenses	3,112		3,112			3,112
Grants awarded	295,493	32,500	327,993			327,993
Supplies		32,851	32,851	156		33,007
Bookkeeping expenses	15,646	28,758	44,404	17,125	6,964	68,493
Professional fees	1,864	1,469	3,333	1,469	848	5,650
Service contract	7,621	2,833	10,454	5,167	2,936	18,557
Investment management fees				6,388		6,388
Rent expense	12,245	8,944	21,189	8,944	5,677	35,810
Computer expenses	1,391	90	1,481	91	1,579	3,151
Insurance	394	1,847	2,241	1,677	3,302	7,220
Office expenses	2,649	2,473	5,122	3,005	1,791	9,918
Postage	6,261	6,789	13,050	4,195	4,911	22,156
Printing	11,127	13,190	24,317	6,131	5,060	35,508
Equipment lease	709	524	1,233	524	328	2,085
Marketing and promotion	567	1,229	1,796			1,796
Membership dues and expenses	5,036	3,357	8,393	3,511	2,390	14,294
Registration fees and training	2,657	14,800	17,457	4,510	3,335	25,302
Travel and mileage	90,771	50,027	140,798	6,269	2,211	149,278
Meals	388	66,035	66,423	4,449	3,976	74,848
Telephone	1,557	1,530	3,087	1,359	764	5,210
Depreciation	771	564	1,335	564	357	2,256
Miscellaneous expenses	1,247	882	2,129	2,127	129	4,385
Total expenses	<u>787,733</u>	<u>648,797</u>	<u>1,436,530</u>	<u>217,307</u>	<u>150,354</u>	<u>1,804,191</u>

See accompanying notes to consolidated financial statements.

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CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED OCTOBER 31, 2016

	Program Services			Management and General	Fundraising	Total
	Program	Special Projects	Total Program Services			
Salaries and wages	159,889	141,230	301,119	112,744	77,018	490,881
Payroll taxes, benefits and other	49,745	36,507	86,252	33,807	15,985	136,044
Stipends paid	71,560	184,388	255,948			255,948
Program expenses	2,340	36,938	39,278		150	39,428
Grants awarded	282,912	26,000	308,912			308,912
Supplies	540	640	1,180	1,132	153	2,465
Bookkeeping expenses	21,768	28,854	50,622	14,603	11,137	76,362
Professional fees				6,750		6,750
Service contract	4,468	2,235	6,703	2,990	2,883	12,576
Investment management fees				3,960		3,960
Rent expense	13,290	6,645	19,935	9,653	6,645	36,233
Computer expenses				1,025	54	1,079
Insurance	606	2,063	2,669	1,720	303	4,692
Office expenses	661	936	1,597	978	109	2,684
Postage	8,546	6,412	14,958	1,923	4,702	21,583
Printing	7,640	11,508	19,148	7,261	8,574	34,983
Equipment lease	336	166	502	850	422	1,774
Marketing and promotion	150	833	983	267		1,250
Membership dues and expenses	5,490	2,800	8,290	3,194	2,883	14,367
Registration fees and training	1,741	3,541	5,282	2,657	1,824	9,763
Travel and mileage	63,086	46,212	109,298	4,638	2,437	116,373
Meals	1,494	62,924	64,418	5,114	2,430	71,962
Telephone	1,895	1,008	2,903	1,000	947	4,850
Depreciation	614	309	923	307	307	1,537
Miscellaneous expenses	58	147	205	910	6	1,121
Total expenses	698,829	602,296	1,301,125	217,483	138,969	1,657,577

See accompanying notes to consolidated financial statements.

NEBRASKA HUMANITIES COUNCIL
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CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED OCTOBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from support and revenue	1,865,329	1,704,688
Cash paid to employees and suppliers	(1,797,744)	(1,843,090)
Investment income	<u>29,499</u>	<u>809</u>
Net cash provided by (used in) operating activities	<u>97,084</u>	<u>(137,593)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment		(6,443)
Sale of investments	535,864	632,936
Purchase of investments	<u>(513,190)</u>	<u>(1,453,570)</u>
Net cash provided by (used in) investing activities	<u>22,674</u>	<u>(827,077)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	119,758	(964,670)
CASH AND CASH EQUIVALENTS, beginning of year	<u>303,224</u>	<u>1,267,894</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>422,982</u></u>	<u><u>303,224</u></u>

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CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED OCTOBER 31, 2017 AND 2016

	2017	2016
Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Change in net assets	279,876	(60,464)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,256	1,537
Reinvested dividends	(72,319)	(54,524)
Realized (gain) loss on investments	(7,072)	75,212
Unrealized gain on investments	(113,543)	(34,269)
(Increase) decrease in assets		
Accounts receivable		600
Prepaid expenses	118,629	(124,079)
Cash value life insurance	(1,538)	(1,403)
Increase (decrease) in liabilities		
Accounts payable	5,710	(66,243)
Grants payable	2,074	(10,654)
Expenses accrued	5,779	13,926
Deferred revenue	(122,768)	122,768
Total adjustments	<u>(182,792)</u>	<u>(77,129)</u>
Net cash provided by (used in) operating activities	<u>97,084</u>	<u>(137,593)</u>

See accompanying notes to consolidated financial statements.

NEBRASKA HUMANITIES COUNCIL
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Nebraska Humanities Council (Council) is a not-for-profit corporation formed in 1973, for the purpose of supporting public programs that bring the resources and perspectives of the humanities to focus on significant public issues and to study the humanities for their own sake. The Council receives its primary funding from the National Endowment for the Humanities.

The Nebraska Foundation for the Humanities (Foundation) works to secure private funding and advocate for the public funding at the state and federal levels to support the programs of the Council.

In January 2013, the Nebraska Humanities Council registered a trade name to do business as Humanities Nebraska. Under this change, the Organization conducts its legal and accounting affairs as Nebraska Humanities Council, but presents itself and the Nebraska Foundation for the Humanities to the community under the external identity of Humanities Nebraska.

Method of Accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Nebraska Humanities Council and Nebraska Foundation for the Humanities (collectively referred to as the Organization). All significant intercompany accounts and transactions have been eliminated in consolidation.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets

Net assets that are not subject to outside restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

Temporarily Restricted Net Assets

Net assets on which grantors or donors have placed restrictions regarding the use of the funds or the time period in which the funds can be used. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "net assets released from restrictions."

Permanently Restricted Net Assets

Permanently restricted net assets include gifts, trusts, and pledges receivable which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor. There were no permanently restricted net assets as of October 31, 2017 and 2016.

Contributions

The Organization utilizes FASB ASC 958-605, *Not-for-Profit Entities Revenue Recognition*. This standard requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Contributed Materials and Services

The Organization records various types of in-kind contributions. Contributed services are recognized at fair market value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with a maturity of three months or less to be cash equivalents.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable have been adjusted for all known uncollectible accounts. No allowance for bad debts is considered necessary at year end.

Investments

The Organization has adopted FASB ASC 958-320, *Not-for-Profit Entities, Investments - Debt and Equity Securities*. FASB ASC 958-320 establishes standards of reporting at fair value certain investments, debt and equity securities, held by not-for-profit organizations.

Therefore, investments in equity securities that have a readily determinable fair value and all investments in debt securities are stated at fair value, with gains and losses included in the statements of activities. Fair value is determined by quoted market values.

Equipment

Property and equipment are stated at cost, if purchased or fair value, if donated. Major expenditures over \$1,000 for property and those which substantially increase useful lives are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Depreciation

The Organization provides for depreciation of property and equipment using annual rates which are sufficient to amortize the cost of depreciable assets using the straight-line method over their estimated useful lives which range from 3 to 5 years.

Compensated Absences

Employees of the Organization earn a vested right to compensation for unused vacation time. Accordingly, the Organization has made an accrual for vacation and compensation that employees have earned.

Publicity

Publicity costs are expensed as incurred. Publicity expense for the years ended October 31, 2017 and 2016 was \$1,796 and \$1,250, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization utilizes the provisions of FASB ASC 740-10, *Accounting for Uncertain Tax Positions*. The Organization continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that would be material to the financial statements.

NOTE 2. CONCENTRATION OF CREDIT RISK

The Council holds deposits in financial institutions. As of October 31, 2017 and 2016, all deposits are insured by the Federal Deposit Insurance Corporation or are held in Short-Term Federal Investment Trust accounts.

Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of trade receivables with a variety of customers. The Organization generally does not require collateral from its customers. Such credit risk is considered by management to be limited due to the Organization's broad customer base and its customers' financial resources.

NOTE 3. INVESTMENTS

The Organization has adopted FASB ASC 820-10, *Fair Value Measurements*, which provides a framework for measuring fair value under accounting principles generally accepted in the United States of America. FASB ASC 820-10 applies to all financial instruments that are being measured and reported on a fair value basis.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. INVESTMENTS (Continued)

As defined in FASB ASC 820-10, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses various methods including market, income, and cost approaches. Based on these approaches, the Foundation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

For the years ended October 31, 2017 and 2016, the application of valuation techniques applied to similar assets has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Marketable Equity Securities

The fair value of marketable equity securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. INVESTMENTS (Continued)

Fair Value on a Recurring Basis

The table below presents the balances of assets measured at October 31, 2017 and 2016 at fair value on a recurring basis.

	2017			
	Total	Level 1	Level 2	Level 3
Equity Mutual Funds				
Mid-cap growth	98,030	98,030		
Large cap balanced	224,284	224,284		
Foreign large cap blended	54,603	54,603		
Foreign large cap growth	59,530	59,530		
Index funds	483,139	483,139		
Commodities	4	4		
Fixed Income Mutual Funds				
Short-term bond	500,025	500,025		
Multi-sector income funds	694,167	694,167		
	<u>2,113,782</u>	<u>2,113,782</u>		
Total	<u>2,113,782</u>	<u>2,113,782</u>		
	2016			
	Total	Level 1	Level 2	Level 3
Equity Mutual Funds				
Mid-cap growth	146,952	146,952		
Large cap growth	64,098	64,098		
Large cap balanced	202,290	202,290		
Commodities	125,167	125,167		
Fixed Income Mutual Funds				
Short-term bond	550,960	550,960		
Multi-sector income funds	854,055	854,055		
	<u>1,943,522</u>	<u>1,943,522</u>		
Total	<u>1,943,522</u>	<u>1,943,522</u>		

NEBRASKA HUMANITIES COUNCIL
d/b/a HUMANITIES NEBRASKA®
AND
NEBRASKA FOUNDATION FOR THE HUMANITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. INVESTMENTS (Continued)

The carrying amounts, market value, unrealized gains, and unrealized losses of the investments at October 31, 2017 and 2016 are as follows:

	2017		
	Total Cost	Unrealized Gains (Losses)	Estimated Fair Value
Equity Mutual Funds	799,006	120,584	919,590
Fixed Income Mutual Funds	<u>1,181,151</u>	<u>13,041</u>	<u>1,194,192</u>
Total	<u>1,980,157</u>	<u>133,625</u>	<u>2,113,782</u>
	2016		
	Total Cost	Unrealized Gains (Losses)	Estimated Fair Value
Equity Mutual Funds	543,200	(4,693)	538,507
Fixed Income Mutual Funds	<u>1,408,511</u>	<u>(3,496)</u>	<u>1,405,015</u>
Total	<u>1,951,711</u>	<u>(8,189)</u>	<u>1,943,522</u>

Management evaluates securities for other than temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial conditions and near-term prospects of the issuer, and (3) the intent and ability of the Organization to retain its investments in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. As management has the ability to hold securities for the foreseeable future, no declines are deemed to be other than temporary.

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consist of:

	2017	2016
Furniture and equipment	98,418	98,418
Less accumulated depreciation	<u>(93,928)</u>	<u>(91,672)</u>
	<u>4,490</u>	<u>6,746</u>

The financial statements include depreciation expense of \$2,256 and \$1,537 for the years ended October 31, 2017 and 2016, respectively.

NEBRASKA HUMANITIES COUNCIL
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the specific projects as identified by the donor in the amount of \$44,836 and \$44,954 for the years ended October 31, 2017 and 2016, respectively.

NOTE 6. REVENUE FROM THE NATIONAL ENDOWMENT FOR THE HUMANITIES

Revenue from the National Endowment for the Humanities during the respective grant periods consisted of the following:

	Outright Funds	Gift and Match Funds	Total Award
<u>October 31, 2017</u>			
State Humanities Program	677,320	3,400	680,720
Nebraska Chautauqua - World War I: Legacies of a Forgotten War	<u>43,945</u>		<u>43,945</u>
	<u>721,265</u>	<u>3,400</u>	<u>724,665</u>
 <u>October 31, 2016</u>			
State Humanities Program	<u>624,440</u>	<u>4,400</u>	<u>628,840</u>

NOTE 7. NEBRASKA CULTURAL ENDOWMENT FUND

The Nebraska Cultural Endowment Fund was created to raise a matching private endowment and distribute the annual income, public and private, exclusively to the Nebraska Arts Council and Nebraska Humanities Council. These funds are not included in the financial statements of the Nebraska Humanities Council. Income from the fund is available to the Nebraska Arts Council and the Humanities Council when matched by private contributions. The income from the state fund is distributed to the Councils on a 70% arts/30% humanities ratio. Income from privately raised endowment funds is divided between the Councils on a 50/50 basis, unless otherwise designated by the donor. Income from private funds raised to match the National Endowment for the Humanities Challenge Grant is allocated 100% to the Nebraska Humanities Council.

The balance in the fund at December 31 was as follows:

	2016	2015
Nebraska Cultural Endowment (Private Fund)	<u>9,582,844</u>	<u>8,925,135</u>

NEBRASKA HUMANITIES COUNCIL
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NEBRASKA FOUNDATION FOR THE HUMANITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8. OPERATING LEASE

On August 1, 2016, the Organization entered into a 10-year operating lease for office and storage space.

The financial statements include rent expense of \$35,810 and \$36,233 for the years ended October 31, 2017 and 2016, respectively

Future minimum payments for the next five years under the agreement are as follows:

2018	34,650
2019	35,144
2020	35,315
2021	35,831
2022	36,003

NOTE 9. RETIREMENT PLAN

Nebraska Humanities Council has implemented a 403(b) defined contribution pension plan, which covers all full-time employees who have completed three months of service. The Council made monthly contributions up to 6.5% of each eligible employee's gross salary. The Council made contributions to the plans totaling \$31,059 and \$29,942 during the years ended October 31, 2017 and 2016, respectively.

NOTE 10. CUBA TRIP

In December 2016 Nebraska Humanities Council sponsored an education trip to Cuba. A portion of each participant's registration cost for the trip included a tax-deductible contribution, which is included on the Consolidated Statement of Activities in the contributions and grants revenue line item.

A reconciliation of the revenues and expenses for the Cuba trip is as follows:

Contributions	17,295
Indirect expenses	(4,313)
Cuba trip revenue	121,274
Less: Cuba trip direct expenses	<u>(128,001)</u>
Net profit on special events	<u>(6,727)</u>
Total contributions and net special event revenue	<u><u>6,255</u></u>

NOTE 11. SUBSEQUENT EVENTS

In preparing the financial statements, the Council has evaluated events and transactions for potential recognition or disclosure through December 18, 2017, the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

NEBRASKA HUMANITIES COUNCIL
d/b/a HUMANITIES NEBRASKA®
AND
NEBRASKA FOUNDATION FOR THE HUMANITIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED OCTOBER 31, 2017

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Identifying Number	Award Expendi- tures
National Endowment for the Humanities State Humanities Program	45.129	SO-233946-16	680,720
Nebraska Chautauqua - World War 1: Legacies of a Forgotten War	45.164	GW-254098-17	<u>43,945</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>724,665</u></u>

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards include the federal grant activity of Nebraska Humanities Council d/b/a Humanities Nebraska® and the Nebraska Foundation for the Humanities, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Program-Specific Audit Guide *Promotion of the Humanities - Federal/State Partnership* Issued by the National Endowment for the Humanities Office of Inspector General. Therefore some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

NOTE 2. SUBRECIPIENTS

The Organization had no subrecipients.

NEBRASKA HUMANITIES COUNCIL
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CONSOLIDATING STATEMENT OF FINANCIAL POSITION
OCTOBER 31, 2017

ASSETS

	Council	Foundation	Consolidated
CURRENT ASSETS			
Cash and cash equivalents	325,672	97,310	422,982
Investments	31,291	2,082,491	2,113,782
Prepaid expenses	24,763		24,763
Cash value life insurance		22,018	22,018
Total current assets	<u>381,726</u>	<u>2,201,819</u>	<u>2,583,545</u>
 PROPERTY AND EQUIPMENT, net	 <u>4,490</u>	 <u> </u>	 <u>4,490</u>
 TOTAL ASSETS	 <u>386,216</u>	 <u>2,201,819</u>	 <u>2,588,035</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES			
Accounts payable	31,750		31,750
Grants payable	20,691		20,691
Expenses accrued	31,925		31,925
Total current liabilities	<u>84,366</u>	<u> </u>	<u>84,366</u>
 NET ASSETS			
Unrestricted	257,014	2,201,819	2,458,833
Temporarily restricted	44,836		44,836
Total net assets	<u>301,850</u>	<u>2,201,819</u>	<u>2,503,669</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>386,216</u>	 <u>2,201,819</u>	 <u>2,588,035</u>

See accompanying notes to financial statements.

NEBRASKA HUMANITIES COUNCIL
d/b/a HUMANITIES NEBRASKA®
AND
NEBRASKA FOUNDATION FOR THE HUMANITIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
OCTOBER 31, 2016

ASSETS

	Council	Foundation	Consolidated
CURRENT ASSETS			
Cash and cash equivalents	225,551	77,673	303,224
Investments		1,943,522	1,943,522
Prepaid expenses	143,392		143,392
Cash value life insurance		20,480	20,480
Total current assets	<u>368,943</u>	<u>2,041,675</u>	<u>2,410,618</u>
 PROPERTY AND EQUIPMENT, net	 <u>6,746</u>	 <u> </u>	 <u>6,746</u>
 TOTAL ASSETS	 <u>375,689</u>	 <u>2,041,675</u>	 <u>2,417,364</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES			
Accounts payable	26,040		26,040
Grants payable	18,617		18,617
Expenses accrued	26,146		26,146
Deferred revenue	122,768		122,768
Total current liabilities	<u>193,571</u>	<u> </u>	<u>193,571</u>
 NET ASSETS			
Unrestricted	137,164	2,041,675	2,178,839
Temporarily restricted	44,954		44,954
Total net assets	<u>182,118</u>	<u>2,041,675</u>	<u>2,223,793</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>375,689</u>	 <u>2,041,675</u>	 <u>2,417,364</u>

See accompanying notes to financial statements.

NEBRASKA HUMANITIES COUNCIL
d/b/a HUMANITIES NEBRASKA®
AND
NEBRASKA FOUNDATION FOR THE HUMANITIES
CONSOLIDATING STATEMENT OF ACTIVITIES
OCTOBER 31, 2017

	Council		Foundation	
	Unrestricted	Temporarily Restricted	Unrestricted	Consolidated
REVENUES AND SUPPORT				
Contributions and grants	1,596,486	219,570	2,555	1,818,611
Fee income	47,732			47,732
Interest and dividends	34,176		69,180	103,356
Realized loss on investments			7,072	7,072
Unrealized gain on investments			113,543	113,543
Special events: Cuba trip	121,274			121,274
Less special event expenses	(128,001)			(128,001)
Other income	480			480
Net assets released from restrictions	219,688	(219,688)		
Total revenues and support	<u>1,891,835</u>	<u>(118)</u>	<u>192,350</u>	<u>2,084,067</u>
EXPENSES				
Program services	1,436,530			1,436,530
Management and general	212,227		5,080	217,307
Fundraising	150,354			150,354
Total expenses	<u>1,799,111</u>	<u> </u>	<u>5,080</u>	<u>1,804,191</u>
CHANGE IN NET ASSETS	92,724	(118)	187,270	279,876
TRANSFERS	27,126		(27,126)	
NET ASSETS, beginning of year	<u>137,164</u>	<u>44,954</u>	<u>2,041,675</u>	<u>2,223,793</u>
NET ASSETS, end of year	<u>257,014</u>	<u>44,836</u>	<u>2,201,819</u>	<u>2,503,669</u>

See accompanying notes to financial statements.

NEBRASKA HUMANITIES COUNCIL
d/b/a HUMANITIES NEBRASKA®
AND
NEBRASKA FOUNDATION FOR THE HUMANITIES
CONSOLIDATING STATEMENT OF ACTIVITIES
OCTOBER 31, 2016

	Council		Foundation	
	Unrestricted	Temporarily Restricted	Unrestricted	Consolidated
REVENUES AND SUPPORT				
Contributions and grants	1,387,835	157,347	1,606	1,546,788
Fee income	33,972			33,972
Interest and dividends	558		56,178	56,736
Realized gain on investments			(75,212)	(75,212)
Unrealized loss on investments			34,269	34,269
Other income	560			560
Net assets released from restrictions	172,628	(172,628)		
Total revenues and support	<u>1,595,553</u>	<u>(15,281)</u>	<u>16,841</u>	<u>1,597,113</u>
EXPENSES				
Program services	1,301,125			1,301,125
Management and general	213,273		4,210	217,483
Fundraising	138,969			138,969
Total expenses	<u>1,653,367</u>	<u> </u>	<u>4,210</u>	<u>1,657,577</u>
CHANGE IN NET ASSETS	(57,814)	(15,281)	12,631	(60,464)
TRANSFERS	(457,225)		457,225	
NET ASSETS, beginning of year	<u>652,203</u>	<u>60,235</u>	<u>1,571,819</u>	<u>2,284,257</u>
NET ASSETS, end of year	<u>137,164</u>	<u>44,954</u>	<u>2,041,675</u>	<u>2,223,793</u>

See accompanying notes to financial statements.



**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Nebraska Humanities Council
d/b/a Humanities Nebraska®
and
Nebraska Foundation for the Humanities
Lincoln, Nebraska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Nebraska Humanities Council and Nebraska Foundation for the Humanities (nonprofit organizations), which comprise the consolidated statement of financial position as of October 31, 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related consolidated notes to the financial statements, and have issued our report thereon dated December 18, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Nebraska Humanities Council's and Nebraska Foundation for the Humanities' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Nebraska Humanities Council's and Nebraska Foundation for the Humanities' internal control. Accordingly, we do not express an opinion on the effectiveness of the Organizations' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nebraska Humanities Council's and Nebraska Foundation for the Humanities' consolidated financial statements are free from material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organizations' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organizations' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dana J Cole + Company, LLP

Lincoln, Nebraska
December 18, 2017



**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON THE NEH FEDERAL/STATE
PARTNERSHIP PROGRAM (CFDA NO. 45.129) AND ON INTERNAL CONTROL
OVER COMPLIANCE BASED ON AN AUDIT IN ACCORDANCE WITH THE
NEH OIG PROGRAM-SPECIFIC AUDIT GUIDE

To the Board of Directors
Nebraska Humanities Council
d/b/a Humanities Nebraska®
and
Nebraska Foundation for the Humanities
Lincoln, Nebraska

Report on Compliance for the NEH Federal/State Partnership Program

We have audited Nebraska Humanities Council's and Nebraska Foundation for the Humanities' compliance with the types of compliance requirements described in the NEH OIG Program-Specific Audit Guide that could have a direct and material effect on Nebraska Humanities Council's and Nebraska Foundation for the Humanities' the NEH Federal/State Partnership Program for the year ended October 31, 2017. Nebraska Humanities Council's and Nebraska Foundation for the Humanities' NEH Federal/State Partnership Program are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Nebraska Humanities Council's and Nebraska Foundation for the Humanities' NEH Federal/State Partnership Program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the NEH OIG Program-Specific Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Nebraska Humanities Council's and Nebraska Foundation for the Humanities' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Opinion on the NEH Federal/State Partnership Program

We believe that our audit provides a reasonable basis for our opinion on compliance for the NEH Federal/State Partnership Program. However, our audit does not provide a legal determination of Nebraska Humanities Council's and Nebraska Foundation for the Humanities' compliance.

In our opinion, Nebraska Humanities Council and Nebraska Foundation for the Humanities complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the NEH Federal/State Partnership Program for the year ended October 31, 2017.

Report on Internal Control over Compliance

Management of Nebraska Humanities Council and Nebraska Foundation for the Humanities is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Nebraska Humanities Council's and Nebraska Foundation for the Humanities' internal control over compliance with the types of requirements that could have a direct and material effect on the NEH Federal/State Partnership Program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the NEH OIG Program-Specific Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Nebraska Humanities Council's and Nebraska Foundation for the Humanities' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the NEH OIG Program-Specific Audit Guide. Accordingly, this report is not suitable for any other purpose.

Dana F Cole + Company, LLP

Lincoln, Nebraska
December 18, 2017

NEBRASKA HUMANITIES COUNCIL
d/b/a HUMANITIES NEBRASKA®
AND
NEBRASKA FOUNDATION FOR THE HUMANITIES
SCHEDULE OF FINDINGS, QUESTIONED COSTS, AND RECOMMENDATIONS
YEAR ENDED OCTOBER 31, 2017

SECTION I. SUMMARY OF AUDITORS' RESULTS

Our program-specific audit disclosed no findings that are required to be reported herein under the NEH Office of Inspector General Program-Specific Audit Guide.

NEBRASKA HUMANITIES COUNCIL
d/b/a HUMANITIES NEBRASKA®
AND
NEBRASKA FOUNDATION FOR THE HUMANITIES
SCHEDULE OF PRIOR FINDINGS, QUESTIONED COSTS, AND RECOMMENDATIONS
YEAR ENDED OCTOBER 31, 2017

SECTION I. SUMMARY OF AUDITORS' RESULTS

Our prior year audit disclosed no findings that are required to be reported herein under the NEH Office of Inspector General Program-Specific Audit Guide.